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IDFs to play key role in infra financing: Mayaram

New Delhi: Infrastructure Debt Funds (IDFs) will play a key role in financing projects that would require USD 1 trillion over the next few years, the government said on Friday.

"We require about one trillion dollar for infrastructure sector out of which 50 per cent or about USD 500 billion has to come from the private sector. Therefore, we have to provide multiple instruments to the private sector to raise funds," Department of Economic Affairs Secretary Arvind Mayaram said here at a function to handover highest rating to Infradebt.

There is a great demand among the foreign investors for long term investment in the country, he said.

Crisil has assigned highest credit rating to the fund of India Infradebt Ltd (Infradebt) promoted by ICICI Bank, LIC and Bank of Baroda.

"We have got the highest rating AAA from Crisil," ICICI Bank Managing Director Chanda Kochhar said here.

Infradebt is the company promoted by strong groups like ICICI Bank, Bank of Baroda, LIC and Citigroup, she said, adding that the company has share capital of Rs 300 crore.

This rating sets the stage for Infradebt to raise long- term resources to lend to completed infrastructure projects, she said.

"We believe that the IDF initiative announced by the Ministry of Finance is likely to play a key role in meeting the overall requirements of funding of the infrastructure sector," she said.

The company also did its first transaction today -- a road project which is set up by the Jaiprakash Group.

The USD 2 billion Infradebt, which received licence in February, is the country's first infrastructure debt fund set up as a non-banking financial company (IDF-NBFC) under guidelines issued by the RBI.

An IDF-NBFC is a new vehicle designed to facilitate the flow of low-cost, long-term funds from domestic and global debt investors, to capital-intensive infrastructure projects.

IDF will provide long-term funds to operational infrastructure projects, enabling them to refinance their existing bank loans.

An innovative credit enhancement mechanism will allow IDF-NBFCs to bridge the gap between the low-risk appetite of long-term debt investors and the relatively higher risks associated with infrastructure projects.